Committee on Resources

Full Committee

Witness Testimony

TESTIMONY OF

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COMMISSIONER, ALASKA DEPARTMENT OF NATURAL RESOURCES

for the

STATE OF ALASKA

on the

THE CONSERVATION AND REINVESTMENT ACT (H.R. 701)

before the

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON RESOURCES

March 31, 1999

Mr. Chairman, my name is John Shively. I am the Commissioner of the Alaska Department of Natural Resources. Thank you for the opportunity to testify on The Conservation and Reinvestment Act, H.R. 701. On behalf of the State of Alaska, I will testify on Titles I and II of the bill. Wayne Regelin, Director of the Division of Wildlife Conservation of the Alaska Department of Fish and Game, will provide the state's testimony on Title III.

The State of Alaska strongly supports provisions in this bill to increase Outer Continental Shelf (OCS) oil and gas revenues to state and local governments as well as provisions to invest in wildlife and land conservation. Alaska's Governor Tony Knowles firmly believes that states and local governments subjected to the risks of offshore exploration and development should also share the revenues collected from those activities. This bill reinvests revenue from oil and gas, a nonrenewable resource, into renewable resources. It increases revenues to states and communities, provides funding for land-based conservation and recreation programs, and establishes a wildlife-based conservation and education program.

Under section 8(g) of the OCS Lands Act, 27 percent of the federal revenues received from oil and gas activities in the area three to six miles from shore currently return to the state. This bill, however, would provide revenue to the state and local governments from activities in the entire OCS. The distribution of revenues authorized by section 8(g) has been an important source of income to states including Alaska. Expansion of this revenue sharing provision to the entire OCS will ensure that states and localities that receive or could receive the impacts of oil and gas activities share the benefits. States and localities have not received any of the revenues from activities occurring outside the "8(g)" zone.

Increased revenues to state and local governments will provide much-needed funds to plan for upcoming OCS development proposals, ensure adequate reviews of proposed developments continue, and provide research funds to answer important questions about the effects of oil and gas development. In addition, these funds will help states and communities respond to increased needs for infrastructure resulting from oil and gas activities, maintain adequate response equipment and readiness, and mitigate for other environmental, social and infrastructure impacts of OCS activities.

We are aware of opposition to this bill by some groups because of the perception that it will provide incentives for states and local governments to support OCS oil and gas development. For Alaska, this legislation would clearly provide additional revenues to the state and local governments, but rather than providing an incentive for OCS development, it would provide a more equitable distribution of the revenues to those who face the impacts and risks of development. The State of Alaska, local governments, and the people of Alaska will continue to demand adequate environmental protection for all OCS exploration and development proposals. These protections include careful consideration of subsistence resources and uses, substantive efforts to prevent oil spills, state-of-the art leak detection for pipelines and storage tanks, adequate capabilities to respond to an oil spill, prevention of habitat damage, adequate control of air contaminants, and proper disposal of wastes. Receiving funds from OCS leasing to help address these issues seems logical to us.

My testimony begins with a brief history of efforts to expand the distribution of OCS revenues to state and local governments. It continues with a description of impacts facing states and localities. Then I will present the State of Alaska's specific comments on Titles I and II followed by concluding remarks.

History

Since the first lease sales in the OCS, states and local governments have consistently requested a greater share of OCS revenues. For Alaska, the first OCS sale occurred in 1979 with the joint federal-state Beaufort Sea Sale.

During the early years of OCS leasing, states focussed their energy on retaining the right to review federal offshore lease sales for consistency with state coastal management programs. Congress substantiated the rights of states to review OCS lease sales in 1990 with the reauthorization of the federal Coastal Zone Management Act.

Also in 1990, a presidential declaration required preparation of a legislative initiative to provide a greater share of revenues to communities directly affected by OCS development. In response to this declaration, the Department of the Interior submitted an impact assistance proposal to the 102nd Congress. Congress has considered several proposals to increase OCS revenue sharing, but none of these bills have been passed into law.

The OCS Policy Committee, a committee of state and private members that advises the Secretary of the Interior on OCS matters, supported increased revenue sharing with states and local communities. The October 1993 report of the OCS Policy Committee's Subcommittee on OCS Legislation: *The Outer Continental Shelf Oil and Gas Program: Moving Beyond Conflict to Consensus* outlines the Committee's revenue sharing recommendations. The OCS Policy Committee includes a representative from the State of Alaska as well as representatives from other coastal states.

The OCS Policy Committee continued its support for revenue sharing after it approved the 1997 *Coastal Impact Assistance* report to the OCS Policy Committee from the Coastal Impact Assistance Working Group. Many of the recommendations in that report are reflected in the bill before the committee today.

Impacts Facing State and Local Governments

States and communities adjacent to OCS oil and gas activities receive many types of impacts both large and small. While OCS oil and gas development can provide substantial benefits to Alaskans, these benefits do not come without costs.

During construction, increased demand for infrastructure and services occurs throughout the state. An influx of workers to an area results in increased demand for facilities and municipal services such as housing, schools, roads, water and sewer facilities, recreational facilities, and health services. Private businesses in local communities and larger urban centers that are dependent on oil money, such as restaurants and support business, would be affected when construction ceases or when fields decline.

Facilities solely within the OCS, such as production islands, escape taxation because they are outside state and municipal boundaries. As related onshore facilities age, income to communities decreases as depreciation of those facilities reduces the local tax base.

Perhaps one of the most serious impacts of offshore oil and gas development is the threat of an oil spill. Proper planning and vigilant oversight by federal and state regulators will prevent a major oil spill from occurring. Although the ability to prevent and respond to oil spills has greatly improved in recent years, the threat of oil spills continues to be an important issue for many Alaskans.

State and local governments need to play active roles in oversight of exploration and development activities to minimize the likelihood of a major oil spill.

Other environmental effects of OCS development include increased air pollution, short-term water quality problems, possible displacement of fish and wildlife, and alteration of habitat. Pipelines and associated roads can cover large distances and result in impacts from traffic and access to areas previously inaccessible.

A sometimes-overlooked effect of OCS development relates to government oversight and monitoring. Local and state governments must work closely with applicants during the planning process for the development. Once project applications have been submitted, government agencies must complete rigorous reviews of project proposals. Throughout the life of the project, local and state government staff provide oversight and monitoring. Even a revenue sharing program will require hiring of trained staff to oversee the program.

Some cultural concerns about OCS oil and gas development exist in Alaska. OCS activities could have cultural effects by temporarily disrupting subsistence activities or bringing additional pressure on fish and wildlife resources because of non-local harvesters. Inadvertent damage to cultural, historic or archaeological sites could occur including exposure of sites that will require further protection.

Obviously revenue sharing funds could assist the state and local governments in mitigating these concerns. This support is important because these governments are the front line troops in dealing with these risks and opportunities.

Title I: Impact Assistance

This title of the bill provides a remedy for a long-standing inequity in distribution of OCS revenues. It increases current revenue sharing provisions for activities occurring in the area three to six miles from shore to the entire OCS. Other than revenues received under the "8(g)" provisions of the OCS Lands Act, state and local governments have few means to recover costs of OCS activities other than taxation of shore-based facilities. The State of Alaska supports the intent of the bill and many of its provisions.

Considering the wide diversity of needs in Alaska and the various types of environmental, social and economic impacts facing the people of the state, the State of Alaska supports increasing the revenue sharing provisions for oil and gas activities in the OCS. We appreciate the flexibility in the bill that would enable communities to use the funds for purposes that best suit their needs.

Revenues received from states and local governments from this provision could be used to plan for OCS development, review proposed developments, complete research to answer pertinent questions, and conduct monitoring. Funds could be used to improve oil spill response equipment and training and improve much needed community services or facilities. For example, in his recent comments on the offshore Northstar Development Project, Kaktovik Mayor Lon Sonsalla identified a number of facilities for his community in the North Slope Borough that could be improved using impact assistance funds. He noted the need for expansion of the community center and improvements to school facilities. These kinds of basic facilities could be funded through the revenue sharing provisions of the bill.

Because of the immense size of the State of Alaska and the wide geographic areas affected by oil and gas transportation systems, many communities either experience or could experience impacts from OCS leasing. For the foreseeable future, OCS developments in Alaska would likely tie into existing pipeline and marine transportation systems in Cook Inlet or in the North Slope. Existing oil and gas transportation systems in Alaska include pipelines located in and around Cook Inlet, pipelines on the North Slope including the network of pipelines from the Alpine Development Project to the east to the Badami Development in the west, the Trans-Alaska Pipeline System, and tanker travel out of Prince William Sound and Cook Inlet.

The State of Alaska may submit more specific comments about the revenue sharing provisions of the bill in the near future. Because of Alaska's unique circumstances, we hope to work with you and the committee staff to devise appropriate means to identify and target communities impacted by OCS oil and gas development.

Title II: Land and Water Conservation

The State of Alaska supports this title of the bill and has no major concern over provisions within this title. The Land and Water Conservation Act funds such programs as state and local parks, green space expansion and park facilities for urban and non-urban areas. It also provides funds for acquisition of lands and waters for the National Park System, National Wildlife Refuge System, and other land conservation units. We support this stable and predictable funding program.

The Land and Water Conservation Fund Stateside Program has provided $28,138,463 to the State of Alaska since the program began in 1965. Half of the funds have been granted to 44 local Alaskan municipalities and villages and half have been invested into 44 different units of the Alaska State Park system. A total of 450 different grants were made between 1965 and 1995, the last year there was money distributed to the state for this program. A number of examples of the uses of these funds illustrate how important they are to the State of Alaska.

- Chester Creek Park and Greenbelt in Anchorage: $1,272,127 for land acquisition for the trail through town, tennis courts, a hockey and softball complex, a picnic area, and a playground. >
- Eaglecrest Recreation Area in Juneau: $743,698 for a ski lift, the lodge, a warming hut, trail construction, and facilities such as the maintenance buildings. >
- Alaskaland in Fairbanks: $400,000 for the marina and theme park. >
- Klawock Ballfield: $64,900 for construction of the ballfield. >
- City of Old Harbor/Glacier View Park: $45,056 for playground, basketball/ volleyball court, picnic area, and parking. >

- City of Nondalton Community Park: $61,391 for playground, ballfield, picnic area, and a shelter. >
- Chugach State Park: $2,352,260 for trails, restrooms, parking, campgrounds, water wells, and land acquisition. >

We note that the State of Alaska has in place a granting procedure to administer this program including staff already trained in the Land and Water Conservation Fund stateside granting process. Therefore, no start-up time is needed to get the funds distributed to municipalities and villages. The state has just completed its Statewide Comprehensive Outdoor Recreation Plan (SCORP) as required by existing Land and Water Conservation Fund regulations. We appreciate the provisions within the bill that allow these plans to stand for five years until a new state action plan is developed.

The state appreciates concerns about possible effects of the bill to private property rights. Congressman Young recognizes concerns about possible abuse of this purchasing authority by federal agencies by including four controls in the bill. First, no lands can be taken through condemnation - there must be a willing seller before lands may be purchased. Second, two-thirds of the federal Land and Water Conservation Fund money must be spent east of the 100th meridian. Third, any expenditure for federal land acquisition over one million dollars must have approval of the Resources Committee. Lastly, no federal purchase outside of CSUs may be made without congressional authorization.

The state supports a provision for funding historic preservation projects through the National Historic Preservation Act. This program has historically been funded through OCS revenues. We support continued use of these revenues to support historic preservation projects and respectfully suggest this provision be added to H.R. 701.

Alaska has historically not been eligible for Urban Parks funding. Its population has grown so that it would now be eligible, but funding possibilities are extremely low as the program is targeted for inner-city blight and redevelopment on the eastern seaboard. Therefore, H.R. 701, which bases 20 percent of the funding on the ratio of a state's acreage to the total U.S. acreage, would benefit Alaska.

Conclusion

In conclusion, the State of Alaska strongly supports this legislation. It is only right that the people who receive the impacts and risks of OCS oil and gas development also receive an adequate share of the rewards. This bill recognizes the importance of providing revenue to both state and local governments. Revenues passed through to state and local governments could be used for a wide variety of uses that would improve the standard of life for Alaska's residents and respond to environmental and economic impacts of OCS development.

We view this legislation not as an incentive to OCS development, but as a more equitable distribution of revenues to the people who receive the impacts of OCS oil and gas development. Increased revenues to the State of Alaska and local governments will not diminish the interest of the residents of Alaska to "do it right." We will continue our vigilance to ensure that oil and gas development provides the maximum benefits to the economy with the least amount of negative environmental, social, and economic impacts.

The State of Alaska supports provisions in the bill to promote land-based conservation and recreation programs such as the Land and Water Conservation Fund and the urban parks. Also, we support provisions in the bill to establish a wildlife-based conservation and education program.

Mr. Chairman, this concludes my testimony on Titles I and II of H.R. 701, the Conservation and Reinvestment Act. As I stated previously, Wayne Regelin of the Alaska Department of Fish and Game will provide the State of Alaska's testimony on Title III of the bill. Thank you again for the opportunity to testify on this important legislation. I am prepared at this time to answer any questions the committee may have on my testimony.

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